

WHERE NOW FOR THE  
EUROPEAN UNION? \_\_\_\_\_

\_\_\_\_\_ RADICAL REFORM OR  
BUSINESS AS USUAL?

A REPORT BY  
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# WHERE NOW FOR THE EUROPEAN UNION?

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Europe stands at a crossroads. Following the decisive rejection of the proposed EU Constitution in referenda by two founder nations, France and the Netherlands, European leaders meeting at their June Summit in Brussels are likely to be locked in increasingly bitter disagreement over the way forward.

Some, such as the EU Council President Jean-Claude Juncker, have said that the ratification process must continue, and the question be resubmitted to the French and Dutch - a response which epitomises the very arrogance and contempt for popular opinion that led many to vote against the Constitution. Others rightly recognise that the Constitution is dead, and warn against the danger that European leaders will try to 'smuggle' elements of it through the backdoor, via another agreement that is not subject to any referenda.

This must not be allowed to happen. Instead, the resounding 'No' to the European Constitution, delivered by a majority of both the French and the Dutch, should be a wake-up call to all of Europe's leaders - a demand that they launch a fundamental review of the direction of the European Union. Out must go the rejected model of ruthless competition and ever more open markets, with all the social and economic insecurity that has come in its wake and which has contributed so much to the 'No' vote. Instead, Europe's citizens and politicians must re-open the debate into the very purpose of the EU, and re-invent the Union in line with their aspirations for the 21<sup>st</sup> century.

This report proposes that, in order to regain popular legitimacy with Europe's citizens, and to ensure that social and environmental justice are at the heart of its domestic and international policies, the EU must set itself a new goal, away from ever more deregulated free trade, and towards the diversification of national and local economies, safeguarding job security, maximising self reliance and ensuring that trade rules are governed by a pro-poor approach. It outlines why further ratification efforts must stop, then proposes a co-operative localised Europe that supports sustainable development in other areas of the world. Finally, it set outs a proposal for a 'Constitution for a Sustainable Europe' that could reinforce this new purpose, and reconnect the EU's political strategy with the needs and aspirations of its citizens.

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**RADICAL REFORM OR  
BUSINESS AS USUAL?**

# INTRODUCTION

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"If it's a 'Yes', we will say 'on we go', and if it's a 'No' we will say 'we continue.'"

*Jean-Claude Juncker, EU Council President,  
The Daily Telegraph, 26 May 2005*

"Those who did not vote for the constitution, we will ask them to revote."

*Valery Giscard d'Estaing,  
Le Figaro, 27 May 2005*

" No single member state has a veto over a constitutional treaty of this sort. France will have to consider its position: whether it is going to maintain a No or whether it is going to revisit the question and possibly come forward with a different view."

*Peter Mandelson, EU Trade Commissioner,  
The Daily Telegraph, 31 May 2005*

The first European Council of Ministers since the decisive rejection of the EU Constitution by France and the Netherlands is likely to be dominated by a debate about whether or not to continue the process of ratification of the proposed European Constitution. But that is not the key question. More important is the fundamental question of the future purpose and direction of the European Union itself.

As a Financial Times Editorial recently commented:

"All 25 member states signed the Treaty in Rome last October and agreed to seek ratification by November 2006. Ten have now voted to ratify the treaty and two have voted against. Thirteen are left to decide. But without unanimity, the treaty cannot come into effect. So is there any point in the 13 voting on a document that will inevitably have to be changed? The chances of persuading France or the Netherlands to vote again on the same text are nil. So the debate still to come in other countries will be artificial, based on a document that will have to be amended, if not abandoned. Why should voters bother to turn out at all?.....A messy series of ratification votes would poison the atmosphere and make compromise more difficult. Suspension therefore looks to be the only realistic option. But the top priority for the summit should be the urgent need to have an open democratic debate in every member state - on the way forward. If they avoid it, the eventual answer will always be No."<sup>i</sup>

The resounding French and Dutch 'No' votes have provided an unprecedented opportunity to challenge EU leaders to admit that the Constitution is dead, to acknowledge that the Union is in crisis, to listen to the concerns of Europe's citizens, and to begin anew a grassroots process to rebuild popular legitimacy for the so-called European project, based on genuine democracy, transparency, and subsidiarity. The debate over the Constitution has all too often been presented as a sterile dichotomy between those who want greater integration with the EU and those who want less: an argument about whether we want 'more Europe' or 'less Europe'. Until the referendum rejections, rarely had the crucial prior question 'what kind of Europe?' been asked.

Yet, ironically, the process of drafting the proposed new EU treaty was supposed to begin from an attempt to answer that very question. The 2001 summit in Laeken, which established the Convention on the Future of Europe, envisaged an 'audit' of the EU's role in the 21st Century, a debate about what the EU was for, a review of how to make its work more democratic and transparent, and an analysis of which EU competencies (or areas of responsibility) should be 'returned' to member states, and which should properly remain at European level - in short, a project to reconnect the EU with the people it claims to represent.

One of the great disappointments of the Convention process is that it singularly failed to address these questions. This hugely missed opportunity has proved to be the Constitution's downfall. People will only engage with an EU that is relevant to their everyday lives, and which is democratic and accountable. The dominance of economic globalisation on its present agenda, together with its continuing lack of democracy and accountability, ensures that the EU has been moving in precisely the opposite direction.

A new 'big idea' for the EU, based on placing sustainability, social justice and peace at its heart, instead of the free trade and militarisation envisaged in the Constitution, could revitalise the EU institutions and re-inspire the public enthusiasm that has been eroded by the EU's moves towards 'economism'; the idea that the overriding goals of European integration are economic, and that its progress should be measured in terms of economic growth and the removal of internal trade barriers alone.

Any new constitution should be judged on its ability to move us towards this new vision for the EU - and judged by that criterion, the current draft clearly failed.

## VOTING 'NO' TO ECONOMIC GLOBALISATION

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One of the main reasons for the 'No' decision in France was voters' desire for a more 'social' Europe. Many were concerned that the erosion of social rights was an inevitable consequence of a 'race to the bottom' driven by the forces of international competition. Although the 'No' vote was backed by France's National Front and others on the Right, the swing took place at the very centre, with a majority of the Socialist and Green parties joining other moderate groups such as the anti-globalisation movement ATTAC.<sup>ii</sup> In the Netherlands, concerns focused on issues of identity and democracy, but there too, the 'No' vote was also fuelled by economic concerns, especially that adoption of the Euro has caused price rises and economic stagnation.

Indeed such fears were well founded: the Constitution would have encouraged increased international competition, with lower-waged economies and reduced state expenditure in the labour-intensive public sector, to meet the European Central Bank's overarching goal of maintaining price stability. As such, it was seen to pose a serious threat to European social values and employment.

Economic insecurity has been rising across Europe in the face of increasing economic globalisation, and the loss of jobs to cheap labour competition. German workers at Siemens, for example, were forced to work an extra five hours a week for nothing after their employers threatened they would otherwise relocate to Hungary, while many call centre jobs - the usual replacement for manufacturing in many areas - are also likely to disappear to Asia. These concerns have been exacerbated by the recent influx into Europe of cheap Chinese textiles and clothing, following the disappearance of all remaining quotas under the WTO's Agreement on Textiles and Clothing. As a result, the World Bank and WTO predict China's share of world trade in textiles and clothing will rise from 17% in 2003 to over 50% by 2010, with some in the industry predicting that the European sector could lose 1,000,000 jobs before the end of 2006.<sup>iii</sup>

As Harvard economist Richard B. Freeman has observed, "what is stunning about China is that for the first time we have a huge, poor country that can compete both with very low wages and in high tech. Combine the two, and America has a problem"<sup>iv</sup>. This report argues that many of those opposing the Constitution did so because they recognise that the EU has a problem too - one that the neo-liberal emphasis in the Constitution will exacerbate.

Defenders of globalisation argue that, although some EU jobs are lost, either to imports or because factories move to countries with cheaper labour costs like China or India, on balance everyone benefits. The bulk of this work is labour-intensive, lower skilled and can be done more efficiently by countries that have an abundance of less-educated workers. In return, those countries buy more of our higher-valued goods made by skilled workers - for which we have a comparative advantage. In theory, the lost jobs and lower wages in the EU and US are more than offset, many economists claim, when countries specialise like this, leading to more exports and lower prices on imported goods.

But now this long-held consensus is beginning to crack. The fast-rising tide of white-collar jobs shifting to China seems to conflict head-on with the 200 year old doctrine of comparative advantage. With both China and India now graduating more college students than the US every year, economists are increasingly uncertain about just where the EU and US have comparative advantage any more - or whether the standard framework for understanding globalisation still applies in the face of so-called white-collar off-shoring.

Ever since British economist David Ricardo spelled out the theory of comparative advantage in the early 1800s, most economists have concluded that countries gain more than they lose when they trade with each other and specialise in what they do best. Today, however, advances in telecommunications such as the Internet have led to a new type of trade that doesn't fit neatly into the theory. Now that brainpower can circulate around the world at low cost, a global labour market for skilled workers seems to be emerging for the first time, with the potential to undermine traditional notions of national specialisation.

## FLAWED ECONOMICS OF THE CONSTITUTION

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The Constitution fails to address this new reality, and instead simply repeats the flawed economic priorities of the existing Treaties by imposing "the principle of an open market economy with free competition favouring an efficient allocation of resources..." - EU Constitution, Article III-178

The Constitution's macroeconomic approach is based on the EU's long-term aim, adopted in Lisbon in 2000, to be "the most competitive and dynamic knowledge-driven economy" by the year 2010. But this strategy has clearly failed, as Commission President Jose Manuel Barroso himself admitted in February 2005. Confronted with increasing hostility to the EU, caused by the perception that its programme of liberalisation, deregulation and privatisation represented an attack on social cohesion and was increasing unemployment, Barroso quietly relaxed the targets set at Lisbon - but the narrow economic terms of the Lisbon strategy still inform the Constitution.

The truth is, the Constitution will commit member states to a path of increased competition and privatisation, even in public services. By opening the door to a race-to-the-bottom in search of ever-lower costs, it will transfer jobs to where wages and other costs - meeting high environmental standards, for example - are lowest. The Constitution will leave neither member states, nor the EU itself, with any effective power to take the strong political counter-measures needed to tackle regional disparities or high unemployment, or to intervene in the operation of the 'free' market to enhance welfare, workers' rights or social cohesion.

Workers' rights will be sacrificed on the altar of enhanced competitiveness, and any protection which might have been offered in the Charter of Fundamental Rights, has been undermined by Labour's insistence that the UK will reject any attempt to make it binding on member states.

Though the Constitution does envisage some narrowly defined exceptions to its free market zeal - to protect cultural diversity, for example - it represents a real threat to the role of the democratically accountable public sector in delivering public services.

# YES TO LOCALISATION, NO TO EUROPEAN "DELOCALISATION"

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In order both to rebuild economic security, and to ensure that social and environmental justice are at the heart of its domestic and international policies, the EU must set itself a new goal, away from ever more deregulated free trade, and the diversification of economies, towards supporting greater self-reliance and promoting fair trade.

One way of achieving this would be through 'Localisation' - a set of interrelated and self-reinforcing policies that actively discriminate in favour of the more local. This would provide a political and economic framework for people, their communities and governments to reclaim control over their local and national economies in order to make them as diverse as possible, and to rebuild stability into community life. Over time, Europe would gradually move from a situation in which all economies are trying to compete with each other, to one in which goods and services are provided nationally or locally wherever feasible and appropriate. This obviously does not mean putting an end to all international trade. It simply means trying to meet more of our basic needs from closer to home, with long distance trade reverting to its original purpose - the quest for what cannot be obtained domestically. This approach has the potential to increase community cohesion, reduce poverty and inequality, improve livelihoods, social provision and environmental protection and provide an all-important sense of security.

Localisation is the very antithesis of globalisation, which emphasises a beggar-your-neighbour reduction of controls on trade and contorts all economies to make international competitiveness their major goal. Localisation involves a better-your-neighbour supportive internationalism where the flow of ideas, technologies, information, culture, money and goods has, as its goal, the protection and rebuilding of national and local economies not just within Europe but worldwide. Its emphasis is not on competition for the cheapest, but on cooperation for the best.

The policy mix will obviously vary in practice to some degree from country to country. Some countries are big enough to think in terms of increased self-reliance within their boundaries, smaller countries would look to a grouping with their neighbours. It will also require a reorientation of international trade and aid policies so they contribute toward, rather than working against, the building of sustainable economies worldwide.

## A CO-OPERATIVE EUROPE IS THE KEY

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It will be impossible for such a radical change to be introduced by one country alone. Individual countries will need to co-operate in this project on a regional basis. Regional blocs like the EU will have a key role to play. Indeed only Europe and North America are politically and economically powerful enough to be a counterweight to overcome the forces which are the major beneficiaries from globalisation - transnational companies and international capital. Unfortunately, the prospect for the US is of four more years of a Bush programme that deliberately rolls back key social and environmental protection in order to promote ever greater free trade. The EU must, therefore, take on the mantle of the major engine for change, and it is the need for a fundamental review in response to the recent 'No' votes which can provide it with an opportunity to do so.

The EU needs to become more democratic and accountable, less bureaucratic and remote; but it also needs to have a compelling vision of its role and purpose. This will require a new and better Constitution stating that the fundamental aim of the renewed EU is not ever greater trade and competition, but rather progress to achieve genuinely sustainable development.

The EU needs a constitution that sets out to build a truly 'sustainable Europe', based on a network of states and agencies with maximum subsidiarity; the devolution of responsibilities to the closest possible level to the citizen, within an overarching set of high social and environmental standards, with freedom for member states to go beyond those standards if they wish. This would allow the EU to build on its important successes in environmental and social policy, and to connect Europe's development to the problems of economic globalisation, ecological degradation, and personal and nation state security that will dominate the coming decades.

The first step to achieving this vision for the EU's future is to maintain our opposition to the current constitution, since it takes decisions further away from the people, and locks in neo-liberal economic policies. Instead, we must use the opportunity of the recent 'No' votes to debate how to achieve a very different EU, that brings the institutions closer to the people, and has sustainability and social justice at its heart. Once this debate has begun then the next question is what kind of Constitution can facilitate and ensure the sustainability and success of such a radical change in direction?

# A PROPOSED TREATY ESTABLISHING A 'CONSTITUTION FOR A SUSTAINABLE EUROPE'

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A Constitution for a Sustainable Europe would be a relatively short, straightforward document, as envisaged by the Laeken Declaration, which began the current constitutional drafting process. It would concentrate on changing the objectives of the union, to ensure that its future activity will strengthen rather than threaten sustainable development, not only in the EU but world-wide.

It would describe the EU's objectives, competencies, relationships and decision-making procedures, but not contain the 97,000 pages of legislation contained in the *acquis communautaire*, or indeed any statements of policy, lest such clauses prove a major obstacle to future reforms which may become necessary to maintain the EU's overriding objectives in response to changing geopolitical and economic events.

Some of the key elements of such a Constitution for a Sustainable Europe would include:

## **A SUSTAINABLE EUROPE**

A Sustainable Europe will be ordered not on the economics of free trade and growth, but on the ecological alternative of local self-reliance and resource conservation, within a context of wider diversity. We want to foster co-operation on issues of common interest, such as tackling cross-border environmental problems, not establish international institutions for their own sake.

We recognize the value of the original goal of the founders of the European Communities, who sought to remove the threat of another war between European states. But this has been distorted by vested political and economic interests into a union dominated by economic interests, which lacks democratic control, and promotes the goals of multinational corporations, not of people.

## **STRUCTURES**

The European Union should be made up of overlapping, co-operative, democratic, decentralised groupings of nations and regions.

European institutions must be designed with care and with mechanisms for correction, to prevent the drift towards centralism that has repeatedly been seen in history.

## **AIMS**

Following the principle of subsidiarity, many issues currently decided at the EU level should be dealt with at a more appropriate level for effective action, which might be local, national or global.

Our aims for the European level are to:

- a. safeguard basic rights;
- b. bring peace and security to Europe, by promoting greater understanding and friendship between its peoples;
- c. solve and prevent those environmental problems, such as air pollution, which can best be resolved at the European level;
- d. promote sustainable, non exploitative, more self reliant local and regional economies;
- e. reduce inequalities of wealth and disparities in quality of life between the regions of Europe, and between Europe and the rest of the world;
- f. support a rich diversity of cultures;
- g. facilitate the exchange of ideas, technology and sustainable practices;
- h. promote global co-operation where appropriate

## **EU COMPETENCIES**

If the Green vision for Europe is to be achieved, many of the existing European institutions will need to change very profoundly. We believe that decisions are best made by those whom they directly affect. The competencies of the EU must, therefore, change to include only those which benefit from European co-operation. We envisage fundamental transformation in the role of the EU as it becomes more "task oriented". The competencies of the EU should be confined to the following areas:

### **The Environment**

- a. ecological issues which can best be dealt with on an international basis.

### **Rights**

- b. minimum standards of human and civil rights;
- c. minimum standards of animal rights.

### **Economic**

- d. regulation of multi and transnational trade and investment, where this does not conflict with more local regulation;
- e. European co-operation to regionalise the industrial base, services

and resources;

f. the more equitable sharing of resources between richer and poorer parts of Europe and between Europe and the rest of the world;

g. economic co-operation at European level against predatory competitiveness.

#### **Diplomatic**

h. the peaceful resolution of political disputes between members;

i. representation of member countries in global fora within the competencies specified above;

#### **Cultural**

j. support for cultural activities, especially where these aim to promote greater understanding and friendship between people.

All decisions should be taken at the appropriate level. We wish to strengthen the EU's ability to deal with issues, within the competencies set out above, which can only be addressed properly at the European level. Other issues appropriated by the EU should be returned to the appropriate lower levels. The EU should be prohibited from taking any powers which could be better exercised at lower levels.

Decisions appropriately made at the EU level should provide agreed minimum standards, which lower levels would implement and would be free to exceed. This should not prevent the creation of higher standards at a national or regional level.

### **EU INSTITUTIONS AND DECISION MAKING**

A sustainable EU would require the fundamental reconstitution of its present institutions, which are fundamentally flawed. Their remoteness has resulted in a lack of accountability, which is working against the interests of people and the environment.

Our aim is to reconstitute the EU as a democratically accountable European Confederation of Regions. Its organisation would follow the Green principle of subsidiarity, that decisions are made at the lowest appropriate level, and not impose the "harmonisation" of the current EU.

### **REFORMING THE CENTRAL INSTITUTIONS OF THE EU**

#### **The Commission**

The Commission and its associated bodies are, compared to the

Council and Parliament, relatively undemocratic and unaccountable. It shall be rendered the servant of the Council and Parliament. Its role shall be:

- a) to act as the civil service for the EU, which shall include suggesting necessary legislation;
- b) to provide factual information on the activities and policies of the EU, including the provision of base data;
- c) to draw up the EU budget for approval by the Council and Parliament and to implement the agreed budget;
- d) to implement decision on the direction of expenditure, tackling inefficiency and eliminating fraud;
- e) to implement other decisions of the Council and Parliament as directed.

Whilst the Commission should actively promote approved legislation, it should not influence in any way decisions still to be taken and ratified in member states.

### **The Council of Ministers**

The Council should seek to make decisions by consensus. This requires recognition, by all member countries, that proposals must take into account the diversity of Europe and the particular situation of each country, and recognition by each member country that, after such account has been taken consent should not be unreasonably withheld.

Where this is not possible, decisions may be taken by Qualified Majority Voting only in respect of issues which are proper for the EU to decide at a European level, namely:

- a) environmental issues
- b) protection of rights
- c) regulation of multinational trade and investment
- d) diplomatic activities, but not including a Common Foreign and Security policy

### **Co-Decision of the Council and the Parliament**

EU decision-making shall be on the basis of co-decision between the Council and the European Parliament in all EU competencies defined above. In other areas, Council decision shall require consensus of all members, to protect the interests of individual, especially smaller, countries.

## **The Parliament**

Elections to the European Parliament should be by proportional representation (PR) in all member countries, with the exact mechanism to be determined nationally or regionally.

Members of the European Parliament will initiate legislation and exercise oversight of the work of the EU. Parliamentary committees must be adequately empowered to investigate, and to demand papers and testimony from the Council and the Commission. A Budget Committee of the Parliament shall scrutinise the budget and expenditure of the EU.

Nominations to the Commission and the Court should require the consent of the Parliament. Proposed treaties, and subordinate decisions and legislation at the European level to extend the role of the EU and to raise revenue for it, should require the consent of the Parliament.

## **The European Court of Justice**

The primacy of political decision making must be maintained. The role of the ECJ should be to apply the democratic decisions of political representatives and citizens. It should not go beyond necessary interpretation into making its own legislation. The ECJ should no longer be allowed to promote European integration in its judgements, where that is not specified in the statutes it is interpreting.

The role of the ECJ should extend as appropriate within the competencies of the EU defined above. Care should be taken not to duplicate the roles of existing courts in member countries.

The ECJ should have a particular power throughout the operations of the bodies of the EU to require them to meet agreed standards of openness and accessibility.

Within these principles, arrangements need to be made to ensure that justice is available more expeditiously to litigants.

Individuals shall be empowered to initiate a direct appeal on a point of law. The ECJ should have a 'gatekeeper' to decide which cases merit being put before it. The criterion should be whether there is a valid case under EU law.

Judges of the ECJ shall be nominated by the Committee of the regions, and appointed by the European Parliament, giving due regard to geographical spread and gender balance.

## **Conclusion**

A centralised, bureaucratic EU cannot effectively confront the problems thrown up by the new century, such as climate change, global injustice, escalating conflict and increasing economic and job insecurity driven by corporate globalisation. Europe's people know this, which is why they are so disillusioned with the EU. Clearly a new "Big Idea" for Europe is required. For Greens, that idea means a bolder, more ambitious vision for the whole of Europe, East and West, in which nations and regions reclaim control of their economies and ecosystems. A Green localist "Europe", built on democracy and diversity, would have peace, social justice and sustainability at its heart. It would be achieved by popular consent, not centralised uniformity, bowing the knee at the behest of corporate power.

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- i 'Where is Plan B for the Dutch Nee?', Financial Times, 3 June 2005
  - ii 'The no vote was a shout of defiance', Jonathan Steele, Guardian, 31 May 2005
  - iii Euratex, May 2005
  - iv Quoted in Business Week, December 6, 2004.